

## Hartlepool Borough Council

### Cost of Care Report – Care Homes (Annex B)

#### 1.0 Purpose of Report

- 1.1 In September 2021 the government announced a reform of the adult social care system which would aim to protect people from unpredictable costs; offer more choice and control over care received; offer outstanding quality; and be accessible to those who need it; stating that “A sustainable care market is fundamental to underpinning this ambition.”
- 1.2 The government guidance issued at the time also stated “While recognising that local authorities are responsible for facilitating the efficient and effective operation of local care markets, we want to support them, where necessary, to address issues affecting their markets, and move them to a more stable footing.”
- 1.3 The government guidance continued:- “First, from October 2023 we will enable more people who fund their own care in care homes to ask their local authority to arrange care on their behalf to secure better value (those in domiciliary care can already do so), by further bringing into effect section 18(3) of the Care Act 2014. This will help to address the current differential in fee rates charged to some self-funders. The market effect of this change will be that some providers will over time need to reduce reliance on subsidising state-funded care from self-funders. Where this has an impact, local authorities will need to ensure their market can be sustained and fee rates are sustainable. Second, uncertainty over future funding, combined with low fees by some local authorities, has resulted in under-investment in local care markets, buildings and innovation, and call-cramming (systematically cutting visits short to allow time for travel) in domiciliary care. This is leading to poorer quality outcomes and therefore needs to be addressed to enable local authorities to successfully deliver our system reform ambitions”.
- 1.4 Additional government funding is to be provided to local authorities to fund these proposals although there is no indication as to how much funding individual authorities will receive.
- 1.5 As a condition of receiving grant funding in the current year and the 2 following years, local authorities need to submit to the Department of Health and Social Care (DHSC):
- a cost of care exercise – produced by surveying local providers for 65+ residential and nursing care and 18+ homecare to determine a sustainable fee rate for different care settings. Exercises will need to accurately reflect local costs such as staff pay and travel time, and provide for an appropriate return on capital or return on operations.
  - a provisional market sustainability plan setting out local strategy for the next 3 years (2022 to 2025) – using the cost of care exercise as a key input, this provisional plan will demonstrate the pace at which local authorities intend to move towards a sustainable fee rate, in particular taking account of the impact of section 18(3) as well as other pressures they have identified. Strategic planning for changes in types of provision in response to local need with other local areas, taking into consideration the role of new models of care (including housing)

- 1.6 This report is in response to the requirement of local authorities to undertake a cost of care exercise and to provide an overview of the outcome, process and how and to what extent this information will be used.

## **2.0 Government Requirements for Undertaking a Cost of Care Exercise**

- 2.1 In order to receive the additional grant funding local authorities have been required to undertake a cost of care exercise for 65+ care homes and 18+ domiciliary care with a view to accurately reflect local costs such as staff pay and travel time. In addition authorities also need to provide, and evidence, an appropriate return on capital in care homes, and return on operations in both care homes and domiciliary care.
- 2.2 Local authorities are required to survey a range of providers (representative of the local market) as part of the cost of care exercise, to improve their understanding of the actual costs of delivering care in their area. Local authorities are required to use the exercise to determine and report the median actual operating costs across a range of specified categories, plus evidence and values for return on capital and return on operations. Local Authorities were required to engage with these relevant providers and get them to complete a nationally agreed and issued 'financial return template' and then to include the results in a Cost of Care report.
- 2.3 The template/tool required to be completed was provided on-line for care homes with local authorities and providers being required to register for the tool and then for it to be completed and submitted on-line. Local authorities would then review and collate the information to be able to calculate the overall median cost of local provision.
- 2.4 The tool was commissioned by the Care and Health Improvement Programme (CHIP) and is provided by iESE / Care Cubed and 'went live' in June 2022.
- 2.5 Following completion by providers all authorities were required to complete a financial template ('Annex A') and submit this to the DHSC by 14<sup>th</sup> October 2022. Although Annex A is not to be published, Tables from this Annex are required to be published as part of this Cost of Care Report (see Section 4.0).

## **3.0 Process Undertaken by Hartlepool Borough Council**

- 3.1 As one of the smallest unitary authorities in the country and with a total of 14 care homes within the scope of the exercise (a 15<sup>th</sup> older persons home opened in July 2022 in Hartlepool, see section 4.3), it was determined to undertake this cost of care exercise 'in-house' rather than to procure any external support. Discussions were held with other regional authorities, some of whom were using external organisations, however there were concerns around the availability and capacity of suitable organisations across the region to be able to provide 'added value' support other than simply 'collating' the data and they would not have the 'local knowledge'.
- 3.2 Subsequently, HBC completed all elements of the COC exercise with detailed input from internal HBC officers, as well as ongoing and detailed support from the North East Regional Commissioning Network, which includes commissioning representatives from all North East Councils. This regional work was used to share learning, guidance and knowledge to support the individual councils to understand all elements of the COC process and where changes, updates and revised interpretations were shared – this also included support from the Local Government Association (LGA) to help councils produced as robust a process as possible.

- 3.3 The relationship the Council has with its care home providers involves regular contact (at least weekly) with discussions between both parties (phone, e-mail, Teams and face to face) and Hartlepool also has a mix of larger national care providers and single-owners. It was therefore determined to use the skills and knowledge of staff from across the Council (including contract management, commissioning, data analysis and finance) to undertake and support this Cost of Care exercise. This project was run jointly by finance and commissioning sections to ensure all relevant knowledge areas were consulted, including specific conversations with providers to explain the process, support query resolution and ensure consistency and correctness. Senior management of HBC were kept updated of the process and were consulted wherever required.
- 3.4 Once the on-line Tool became 'live' in June 2022 the Council contacted all 14 care homes within the scope of the exercise via a letter which was e-mailed to them on 23<sup>rd</sup> June 2022 outlining in detail the process and requirements and encouraging them to take part in the exercise. Council Officer's contact details were provided and support was provided to homes struggling to access the on-line tool, requesting clarifications and information to enable them to complete the tool.
- 3.5 The Council were wanting as many providers to participate in the exercise as possible to fully inform the process so although an initial deadline of 22<sup>nd</sup> July 2022 was given in the letter, the Council have been very flexible around this deadline. For example, one home did not submit their initial return until 16<sup>th</sup> September 2022 following discussions with the Council, resolution of queries etc.
- 3.6 Following receipt, all 11 providers who submitted responses were asked to confirm whether they had included or excluded the advanced NLW costs from their figures and, if so, how they had accounted for the 2022/23 pay uplift and whether they had included or excluded other 'one-off' areas of spend funded by the various COVID grants received in 2021/22. If included, there is the risk of 'double-counting' and over-stating the costs.
- 3.7 Each cost figure submitted on the return was reviewed, including comparing to other returns, to identify any areas where data appeared to be incorrect, missing or, compared to other returns, appeared particularly high or low.
- 3.8 Areas which were queried included:-
- a rate of 15.5% for calculating Employers NI costs which is the rate payable above the relevant earnings threshold whereas the tool asks for the average rate payable on the payroll (this was subsequently amended by the provider)
  - a non-nursing home including nursing costs within their staff costs (this was subsequently amended by the provider)
  - 0% rate for Return on Operations and/or Return on Capital (Some providers subsequently amended their figures although one provider has not responded)
  - Holidays, sickness etc appearing either high or low compared to other returns
  - 2022/23 pay inflation exceeding 10%
  - Staff / Premises / Supplies and Services / Head Office costs in total being amongst the highest as a proportion of total costs of submitted returns
  - Return on Operations and/or Return on Capital being at the higher end of submissions

- 3.9 8 of the 11 providers responded to the Council's queries and, where applicable, the providers amended their figures which have been incorporated into the completion of Annex A. For the 3 providers who did not respond then their original figures (unadjusted) have been included in Annex A.
- 3.10 10 of the 11 submissions provided both 2021/22 and 2022/23 cost information by applying their own applicable % uplift to their 2021/22 figures; although some of these % uplifts were queried (and in some cases subsequently changed by the provider) the Council has not made any changes to the submitted figures.
- 3.11 One of the providers only submitted data for 2021/22 however the information required to complete Annex A requires 2022/23 financial data. As there was insufficient time to request the provider to include relevant % uplifts, and it is important to include all submitted returns in the exercise, the Council have uplifted the 2021/22 cost data for this provider as detailed in paragraph 3.12 below.
- 3.12 The 2021/22 'Summarised' costs per bed were inflated using the Council's 2022/23 fee setting model at an individual line level ie. care staff costs were inflated by the increase in the NLW, non-care staff by the weekly average earnings index and non-pay costs by the CPI rate applicable for that category of spend. In terms of RoO and RoC the ratios with the 2021/22 original total cost were maintained. This resulted in an updated 2022/23 cost base for that provider which has been included within the exercise.
- 3.13 The data submitted by providers for rates of Return on Operations and Return on Capital, although queried if very low (ie. 0% responses) or very high (ie. 20% response) when compared to other providers submissions have not been amended at this stage. When queried, we did provide some guidance around the rates suggested by the Local Government Association (which suggested an RoO of 5% and a RoC of between 5% and 6% based on freehold land values) however some providers responded "This is an aspirational figure that we believe enables continued investment into the service" or "this figure reflects recouping of our investment".
- 3.14 Without being able to undertake further work with our providers to understand their operational model and the basis for the rates submitted the Council determined not to arbitrarily amend any figures at this stage without a clear rationale. Further work with providers to understand the RoO and RoC will be undertaken.
- 3.15 Therefore, for those areas where no response to queries was forthcoming, or where the provider has confirmed the figure they submitted, *no subsequent changes have been made by the Council.*
- 3.16 As required, the median costs have been included. Discretion has been given to authorities to use the median on a cost 'line by line' basis or by sub-total of each heading. Hartlepool have used the median of each cost line on the basis that the templates and Annex A require this information so as this information is available and required then it should be used.
- 3.17 Where nil/zero figures were provided these were included within the median calculation where it was clear there were no costs incurred by that particular provider. However, where a nil/zero was provided as it was technically 'not applicable' eg. head office costs for some smaller providers, then this provider was excluded from the median calculation for that particular cost category. This methodology ensures

the median was not being understated as a result of a number of providers showing zero costs.

#### **4.0 Outcome of Cost of Care Exercise**

- 4.1 The response rate was 78.5% with 11 of the 14 homes within scope completing the exercise. This accounts for 81.1% of the available beds across these 14 homes.
- 4.2 One care home that was originally within the scope of the exercise and was invited to participate is no longer considered to be within scope as they no longer support residents over 65 years old.
- 4.3 Similarly, a new care home opened in Summer 2022 but has not been included within the scope of this exercise as there were no 2021/22 comparable financial data and the home opened too late in the process for meaningful discussions. This new home supports both residential and nursing placements and will increase its capacity to 75 beds over the next year, with a potential final capacity of 94 beds.
- 4.4 Hartlepool no longer has a dedicated 'nursing' care home as the only home of this type closed in February 2022 due to difficulty in sourcing nursing staff, and an increasing reliance on agency nursing staff. This resulted in the loss of 37 nursing beds.
- 4.5 Although there is no dedicated nursing home, 3 care homes within the scope of this exercise are registered to provide both residential and nursing placements and for the purposes of Annex A, these homes are included as part of the "with nursing" care type.
- 4.6 As required by the DHSC guidance Table 1 a- d below shows for each service type the count of observations, median cost as well as the lower and upper quartiles from Annex A. Table 2 below shows the median values for each care type and, as required by the guidance, is a copy of the relevant Table from Annex A.

**Table 1a - 65+ Care Home Places without Nursing (Count of Operations, Median, Lower and Upper Quartiles)**

|                                                              | 65+ care home places without nursing |                |                |                |
|--------------------------------------------------------------|--------------------------------------|----------------|----------------|----------------|
|                                                              | Count of Operations                  | Lower Quartile | Median         | Upper Quartile |
| <b>Care Home Staffing</b>                                    |                                      |                |                |                |
| Nursing Staff                                                | 0                                    | £0.00          | £0.00          | £0.00          |
| Care Staff                                                   | 8                                    | £270.04        | £301.05        | £312.99        |
| Therapy Staff (Occupational & Physio)                        | 0                                    | £0.00          | £0.00          | £0.00          |
| Activity Coordinators                                        | 8                                    | £6.63          | £9.37          | £10.06         |
| Service Management (Registered Manager/Deputy)               | 8                                    | £22.02         | £24.76         | £43.15         |
| Reception & Admin staff at the home                          | 8                                    | £0.00          | £6.86          | £8.50          |
| Chefs / Cooks                                                | 8                                    | £18.61         | £23.94         | £34.66         |
| Domestic staff (cleaning, laundry & kitchen)                 | 8                                    | £36.23         | £40.64         | £56.19         |
| Maintenance & Gardening                                      | 8                                    | £6.38          | £9.32          | £13.96         |
| Other care home staffing (please specify)                    | 8                                    | £0.00          | £0.01          | £7.72          |
| <b>Care Home Premises</b>                                    |                                      |                |                |                |
| Fixtures & fittings                                          | 8                                    | £0.00          | £0.80          | £7.44          |
| Repairs and maintenance                                      | 8                                    | £10.56         | £19.42         | £28.00         |
| Furniture, furnishings and equipment                         | 8                                    | £0.00          | £0.08          | £1.99          |
| Other care home premises costs (please specify)              | 8                                    | £0.00          | £1.49          | £13.67         |
| <b>Care Home Supplies and Services</b>                       |                                      |                |                |                |
| Food supplies                                                | 8                                    | £29.08         | £31.65         | £34.86         |
| Domestic and cleaning supplies                               | 8                                    | £3.92          | £4.92          | £5.77          |
| Medical supplies (excluding PPE)                             | 7                                    | £2.51          | £3.58          | £5.17          |
| PPE                                                          | 3                                    | £1.21          | £2.15          | £3.20          |
| Office supplies (home specific)                              | 8                                    | £1.99          | £2.33          | £2.53          |
| Insurance (all risks)                                        | 8                                    | £2.68          | £4.30          | £5.48          |
| Registration fees                                            | 8                                    | £3.21          | £3.25          | £3.76          |
| Telephone & internet                                         | 8                                    | £0.81          | £1.18          | £2.13          |
| Council tax / rates                                          | 8                                    | £0.79          | £0.87          | £1.09          |
| Electricity, Gas & Water                                     | 8                                    | £21.60         | £23.79         | £34.99         |
| Trade and clinical waste                                     | 8                                    | £2.38          | £3.22          | £4.25          |
| Transport & Activities                                       | 8                                    | £0.49          | £1.39          | £2.34          |
| Other care home supplies and services costs (please specify) | 8                                    | £0.53          | £1.13          | £2.26          |
| <b>Head Office</b>                                           |                                      |                |                |                |
| Central / Regional Management                                | 6                                    | £11.40         | £21.67         | £26.08         |
| Support Services (finance / HR / legal / marketing etc.)     | 7                                    | £9.07          | £22.72         | £40.90         |
| Recruitment, Training & Vetting (incl. DBS checks)           | 7                                    | £1.44          | £2.38          | £5.77          |
| Other head office costs (please specify)                     | 3                                    | £2.34          | £3.21          | £6.36          |
| <b>Return on Operations</b>                                  | 8                                    | £45.70         | £64.93         | £83.65         |
| <b>Return on Capital</b>                                     | 8                                    | £98.40         | £117.72        | £133.85        |
| <b>TOTAL</b>                                                 |                                      | <b>£610.02</b> | <b>£754.13</b> | <b>£942.77</b> |

**Table 1b - 65+ Care Home Places without Nursing, Enhanced Needs (Count of Operations, Median, Lower and Upper Quartiles)**

|                                                              | 65+ care home places without nursing, enhanced needs |                |                |                |
|--------------------------------------------------------------|------------------------------------------------------|----------------|----------------|----------------|
|                                                              | Count of Operations                                  | Lower Quartile | Median         | Upper Quartile |
| <b>Care Home Staffing</b>                                    |                                                      |                |                |                |
| Nursing Staff                                                | 0                                                    | £0.00          | £0.00          | £0.00          |
| Care Staff                                                   | 8                                                    | £269.18        | £301.05        | £312.99        |
| Therapy Staff (Occupational & Physio)                        | 0                                                    | £0.00          | £0.00          | £0.00          |
| Activity Coordinators                                        | 8                                                    | £6.63          | £9.37          | £10.06         |
| Service Management (Registered Manager/Deputy)               | 8                                                    | £22.02         | £24.76         | £43.15         |
| Reception & Admin staff at the home                          | 8                                                    | £0.00          | £6.86          | £8.50          |
| Chefs / Cooks                                                | 8                                                    | £18.61         | £23.94         | £34.66         |
| Domestic staff (cleaning, laundry & kitchen)                 | 8                                                    | £36.23         | £40.64         | £56.19         |
| Maintenance & Gardening                                      | 8                                                    | £6.38          | £9.32          | £13.96         |
| Other care home staffing (please specify)                    | 8                                                    | £0.00          | £0.01          | £7.72          |
| <b>Care Home Premises</b>                                    |                                                      |                |                |                |
| Fixtures & fittings                                          | 8                                                    | £0.00          | £0.80          | £7.44          |
| Repairs and maintenance                                      | 8                                                    | £10.56         | £19.42         | £28.00         |
| Furniture, furnishings and equipment                         | 8                                                    | £0.00          | £0.08          | £1.99          |
| Other care home premises costs (please specify)              | 8                                                    | £0.00          | £1.49          | £13.67         |
| <b>Care Home Supplies and Services</b>                       |                                                      |                |                |                |
| Food supplies                                                | 8                                                    | £29.08         | £31.65         | £34.86         |
| Domestic and cleaning supplies                               | 8                                                    | £3.92          | £4.92          | £5.77          |
| Medical supplies (excluding PPE)                             | 7                                                    | £2.51          | £3.58          | £5.17          |
| PPE                                                          | 3                                                    | £1.21          | £2.15          | £3.20          |
| Office supplies (home specific)                              | 8                                                    | £1.99          | £2.33          | £2.53          |
| Insurance (all risks)                                        | 8                                                    | £2.68          | £4.30          | £5.48          |
| Registration fees                                            | 8                                                    | £3.21          | £3.25          | £3.76          |
| Telephone & internet                                         | 8                                                    | £0.81          | £1.18          | £2.13          |
| Council tax / rates                                          | 8                                                    | £0.79          | £0.87          | £1.09          |
| Electricity, Gas & Water                                     | 8                                                    | £21.60         | £23.79         | £34.99         |
| Trade and clinical waste                                     | 8                                                    | £2.38          | £3.22          | £4.25          |
| Transport & Activities                                       | 8                                                    | £0.49          | £1.39          | £2.34          |
| Other care home supplies and services costs (please specify) | 8                                                    | £0.53          | £1.13          | £2.26          |
| <b>Head Office</b>                                           |                                                      |                |                |                |
| Central / Regional Management                                | 6                                                    | £11.40         | £21.67         | £26.08         |
| Support Services (finance / HR / legal / marketing etc.)     | 7                                                    | £9.07          | £22.72         | £40.90         |
| Recruitment, Training & Vetting (incl. DBS checks)           | 7                                                    | £1.44          | £2.38          | £5.77          |
| Other head office costs (please specify)                     | 3                                                    | £2.34          | £3.21          | £6.36          |
| <b>Return on Operations</b>                                  | 8                                                    | £45.70         | £64.93         | £83.65         |
| <b>Return on Capital</b>                                     | 8                                                    | £98.40         | £117.72        | £133.85        |
| <b>TOTAL</b>                                                 |                                                      | <b>£609.16</b> | <b>£754.13</b> | <b>£942.77</b> |

**Table 1c - 65+ Care Home Places with Nursing (Count of Operations, Median, Lower and Upper Quartiles)**

|                                                              | 65+ care home places with nursing |                |                |                  |
|--------------------------------------------------------------|-----------------------------------|----------------|----------------|------------------|
|                                                              | Count of Operations               | Lower Quartile | Median         | Upper Quartile   |
| <b>Care Home Staffing</b>                                    |                                   |                |                |                  |
| Nursing Staff                                                | 3                                 | £145.95        | £197.68        | £212.91          |
| Care Staff                                                   | 3                                 | £230.79        | £270.50        | £274.58          |
| Therapy Staff (Occupational & Physio)                        | 0                                 | £0.00          | £0.00          | £0.00            |
| Activity Coordinators                                        | 3                                 | £5.93          | £6.55          | £8.70            |
| Service Management (Registered Manager/Deputy)               | 3                                 | £38.69         | £41.67         | £44.12           |
| Reception & Admin staff at the home                          | 3                                 | £10.62         | £11.63         | £17.24           |
| Chefs / Cooks                                                | 3                                 | £14.56         | £15.70         | £28.63           |
| Domestic staff (cleaning, laundry & kitchen)                 | 3                                 | £43.34         | £54.02         | £54.49           |
| Maintenance & Gardening                                      | 3                                 | £9.08          | £9.57          | £10.83           |
| Other care home staffing (please specify)                    | 3                                 | £3.51          | £5.73          | £29.09           |
| <b>Care Home Premises</b>                                    |                                   |                |                |                  |
| Fixtures & fittings                                          | 3                                 | £3.49          | £6.98          | £10.71           |
| Repairs and maintenance                                      | 3                                 | £19.00         | £22.22         | £30.68           |
| Furniture, furnishings and equipment                         | 3                                 | £4.15          | £8.11          | £12.89           |
| Other care home premises costs (please specify)              | 3                                 | £5.95          | £10.79         | £25.33           |
| <b>Care Home Supplies and Services</b>                       |                                   |                |                |                  |
| Food supplies                                                | 3                                 | £25.03         | £26.32         | £31.71           |
| Domestic and cleaning supplies                               | 3                                 | £5.81          | £7.02          | £7.46            |
| Medical supplies (excluding PPE)                             | 3                                 | £6.54          | £9.89          | £14.78           |
| PPE                                                          | 1                                 | £2.22          | £2.22          | £2.22            |
| Office supplies (home specific)                              | 3                                 | £2.17          | £2.48          | £3.14            |
| Insurance (all risks)                                        | 3                                 | £3.81          | £4.90          | £5.67            |
| Registration fees                                            | 3                                 | £3.05          | £3.07          | £3.38            |
| Telephone & internet                                         | 3                                 | £1.30          | £2.15          | £2.43            |
| Council tax / rates                                          | 3                                 | £1.11          | £1.44          | £1.45            |
| Electricity, Gas & Water                                     | 3                                 | £15.90         | £18.45         | £33.27           |
| Trade and clinical waste                                     | 3                                 | £4.16          | £4.64          | £5.34            |
| Transport & Activities                                       | 3                                 | £1.64          | £1.74          | £2.60            |
| Other care home supplies and services costs (please specify) | 3                                 | £2.65          | £4.13          | £7.08            |
| <b>Head Office</b>                                           |                                   |                |                |                  |
| Central / Regional Management                                | 1                                 | £22.21         | £22.21         | £22.21           |
| Support Services (finance / HR / legal / marketing etc.)     | 3                                 | £29.83         | £43.87         | £46.79           |
| Recruitment, Training & Vetting (incl. DBS checks)           | 3                                 | £5.17          | £5.46          | £5.59            |
| Other head office costs (please specify)                     | 2                                 | £2.37          | £2.84          | £3.30            |
| <b>Return on Operations</b>                                  | 3                                 | £80.24         | £82.73         | £94.84           |
| <b>Return on Capital</b>                                     | 3                                 | £28.39         | £28.64         | £84.32           |
| <b>TOTAL</b>                                                 |                                   | <b>£778.66</b> | <b>£935.35</b> | <b>£1,137.78</b> |



**Table 1d - 65+ Care Home Places with Nursing, Enhanced Needs (Count of Operations, Median, Lower and Upper Quartiles)**

|                                                              | 65+ care home places with nursing, enhanced needs |                |                |                  |
|--------------------------------------------------------------|---------------------------------------------------|----------------|----------------|------------------|
|                                                              | Count of Operations                               | Lower Quartile | Median         | Upper Quartile   |
| <b>Care Home Staffing</b>                                    |                                                   |                |                |                  |
| Nursing Staff                                                | 3                                                 | £145.95        | £197.68        | £212.91          |
| Care Staff                                                   | 3                                                 | £230.79        | £270.50        | £274.58          |
| Therapy Staff (Occupational & Physio)                        | 0                                                 | £0.00          | £0.00          | £0.00            |
| Activity Coordinators                                        | 3                                                 | £5.93          | £6.55          | £8.70            |
| Service Management (Registered Manager/Deputy)               | 3                                                 | £38.69         | £41.67         | £44.12           |
| Reception & Admin staff at the home                          | 3                                                 | £10.62         | £11.63         | £17.24           |
| Chefs / Cooks                                                | 3                                                 | £14.56         | £15.70         | £28.63           |
| Domestic staff (cleaning, laundry & kitchen)                 | 3                                                 | £43.34         | £54.02         | £54.49           |
| Maintenance & Gardening                                      | 3                                                 | £9.08          | £9.57          | £10.83           |
| Other care home staffing (please specify)                    | 3                                                 | £3.51          | £5.73          | £29.09           |
| <b>Care Home Premises</b>                                    |                                                   |                |                |                  |
| Fixtures & fittings                                          | 3                                                 | £3.49          | £6.98          | £10.71           |
| Repairs and maintenance                                      | 3                                                 | £19.00         | £22.22         | £30.68           |
| Furniture, furnishings and equipment                         | 3                                                 | £4.15          | £8.11          | £12.89           |
| Other care home premises costs (please specify)              | 3                                                 | £5.95          | £10.79         | £25.33           |
| <b>Care Home Supplies and Services</b>                       |                                                   |                |                |                  |
| Food supplies                                                | 3                                                 | £25.03         | £26.32         | £31.71           |
| Domestic and cleaning supplies                               | 3                                                 | £5.81          | £7.02          | £7.46            |
| Medical supplies (excluding PPE)                             | 3                                                 | £6.54          | £9.89          | £14.78           |
| PPE                                                          | 1                                                 | £2.22          | £2.22          | £2.22            |
| Office supplies (home specific)                              | 3                                                 | £2.17          | £2.48          | £3.14            |
| Insurance (all risks)                                        | 3                                                 | £3.81          | £4.90          | £5.67            |
| Registration fees                                            | 3                                                 | £3.05          | £3.07          | £3.38            |
| Telephone & internet                                         | 3                                                 | £1.30          | £2.15          | £2.43            |
| Council tax / rates                                          | 3                                                 | £1.11          | £1.44          | £1.45            |
| Electricity, Gas & Water                                     | 3                                                 | £15.90         | £18.45         | £33.27           |
| Trade and clinical waste                                     | 3                                                 | £4.16          | £4.64          | £5.34            |
| Transport & Activities                                       | 3                                                 | £1.64          | £1.74          | £2.60            |
| Other care home supplies and services costs (please specify) | 3                                                 | £2.65          | £4.13          | £7.08            |
| <b>Head Office</b>                                           |                                                   |                |                |                  |
| Central / Regional Management                                | 1                                                 | £22.21         | £22.21         | £22.21           |
| Support Services (finance / HR / legal / marketing etc.)     | 3                                                 | £29.83         | £43.87         | £46.79           |
| Recruitment, Training & Vetting (incl. DBS checks)           | 3                                                 | £5.17          | £5.46          | £5.59            |
| Other head office costs (please specify)                     | 2                                                 | £2.37          | £2.84          | £3.30            |
| <b>Return on Operations</b>                                  | 3                                                 | £80.24         | £82.73         | £94.84           |
| <b>Return on Capital</b>                                     | 3                                                 | £28.39         | £28.64         | £84.32           |
| <b>TOTAL</b>                                                 |                                                   | <b>£778.66</b> | <b>£935.35</b> | <b>£1,137.78</b> |

**Table 2 – Cost of Care Exercise (Table 3 from Annex A)**

| Cost of care exercise results - all cells should be £ per resident per week, MEDIANS. | 65+ care home places without nursing, enhanced needs | 65+ care home places without nursing, enhanced needs | 65+ care home places with nursing, enhanced needs | 65+ care home places with nursing, enhanced needs |
|---------------------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| <b>Total Care Home Staffing</b>                                                       | <b>£415.95</b>                                       | <b>£415.95</b>                                       | <b>£613.05</b>                                    | <b>£613.05</b>                                    |
| Nursing Staff                                                                         | £0.00                                                | £0.00                                                | £197.68                                           | £197.68                                           |
| Care Staff                                                                            | £301.05                                              | £301.05                                              | £270.50                                           | £270.50                                           |
| Therapy Staff (Occupational & Physio)                                                 | £0.00                                                | £0.00                                                | £0.00                                             | £0.00                                             |
| Activity Coordinators                                                                 | £9.37                                                | £9.37                                                | £6.55                                             | £6.55                                             |
| Service Management (Registered Manager/Deputy)                                        | £24.76                                               | £24.76                                               | £41.67                                            | £41.67                                            |
| Reception & Admin staff at the home                                                   | £6.86                                                | £6.86                                                | £11.63                                            | £11.63                                            |
| Chefs / Cooks                                                                         | £23.94                                               | £23.94                                               | £15.70                                            | £15.70                                            |
| Domestic staff (cleaning, laundry & kitchen)                                          | £40.64                                               | £40.64                                               | £54.02                                            | £54.02                                            |
| Maintenance & Gardening                                                               | £9.32                                                | £9.32                                                | £9.57                                             | £9.57                                             |
| Other care home staffing (please specify)                                             | £0.01                                                | £0.01                                                | £5.73                                             | £5.73                                             |
| <b>Total Care Home Premises</b>                                                       | <b>£21.79</b>                                        | <b>£21.79</b>                                        | <b>£48.10</b>                                     | <b>£48.10</b>                                     |
| Fixtures & fittings                                                                   | £0.80                                                | £0.80                                                | £6.98                                             | £6.98                                             |
| Repairs and maintenance                                                               | £19.42                                               | £19.42                                               | £22.22                                            | £22.22                                            |
| Furniture, furnishings and equipment                                                  | £0.08                                                | £0.08                                                | £8.11                                             | £8.11                                             |
| Other care home premises costs (please specify)                                       | £1.49                                                | £1.49                                                | £10.79                                            | £10.79                                            |
| <b>Total Care Home Supplies and Services</b>                                          | <b>£83.76</b>                                        | <b>£83.76</b>                                        | <b>£88.45</b>                                     | <b>£88.45</b>                                     |
| Food supplies                                                                         | £31.65                                               | £31.65                                               | £26.32                                            | £26.32                                            |
| Domestic and cleaning supplies                                                        | £4.92                                                | £4.92                                                | £7.02                                             | £7.02                                             |
| Medical supplies (excluding PPE)                                                      | £3.58                                                | £3.58                                                | £9.89                                             | £9.89                                             |
| PPE                                                                                   | £2.15                                                | £2.15                                                | £2.22                                             | £2.22                                             |
| Office supplies (home specific)                                                       | £2.33                                                | £2.33                                                | £2.48                                             | £2.48                                             |
| Insurance (all risks)                                                                 | £4.30                                                | £4.30                                                | £4.90                                             | £4.90                                             |
| Registration fees                                                                     | £3.25                                                | £3.25                                                | £3.07                                             | £3.07                                             |
| Telephone & internet                                                                  | £1.18                                                | £1.18                                                | £2.15                                             | £2.15                                             |
| Council tax / rates                                                                   | £0.87                                                | £0.87                                                | £1.44                                             | £1.44                                             |
| Electricity, Gas & Water                                                              | £23.79                                               | £23.79                                               | £18.45                                            | £18.45                                            |
| Trade and clinical waste                                                              | £3.22                                                | £3.22                                                | £4.64                                             | £4.64                                             |
| Transport & Activities                                                                | £1.39                                                | £1.39                                                | £1.74                                             | £1.74                                             |
| Other care home supplies and services costs (please specify)                          | £1.13                                                | £1.13                                                | £4.13                                             | £4.13                                             |
| <b>Total Head Office</b>                                                              | <b>£49.98</b>                                        | <b>£49.98</b>                                        | <b>£74.38</b>                                     | <b>£74.38</b>                                     |
| Central / Regional Management                                                         | £21.67                                               | £21.67                                               | £22.21                                            | £22.21                                            |
| Support Services (finance / HR / legal / marketing etc.)                              | £22.72                                               | £22.72                                               | £43.87                                            | £43.87                                            |
| Recruitment, Training & Vetting (incl. DBS checks)                                    | £2.38                                                | £2.38                                                | £5.46                                             | £5.46                                             |
| Other head office costs (please specify)                                              | £3.21                                                | £3.21                                                | £2.84                                             | £2.84                                             |
| <b>Total Return on Operations</b>                                                     | <b>£64.93</b>                                        | <b>£64.93</b>                                        | <b>£82.73</b>                                     | <b>£82.73</b>                                     |
| <b>Total Return on Capital</b>                                                        | <b>£117.72</b>                                       | <b>£117.72</b>                                       | <b>£28.64</b>                                     | <b>£28.64</b>                                     |
| <b>TOTAL</b>                                                                          | <b>£754.13</b>                                       | <b>£754.13</b>                                       | <b>£935.35</b>                                    | <b>£935.35</b>                                    |

  

| Supporting information on important cost drivers used in the calculations:                  | 65+ care home places without nursing, enhanced needs | 65+ care home places without nursing, enhanced needs | 65+ care home places with nursing, enhanced needs | 65+ care home places with nursing, enhanced needs |
|---------------------------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Number of location level survey responses received                                          | 8                                                    | 8                                                    | 3                                                 | 3                                                 |
| Number of locations eligible to fill in the survey (excluding those found to be ineligible) | 11                                                   | 11                                                   | 3                                                 | 3                                                 |
| Number of residents covered by the responses                                                | 407                                                  | 407                                                  | 161                                               | 161                                               |
| Number of carer hours per resident per week                                                 | 22                                                   | 22                                                   | 20                                                | 20                                                |
| Number of nursing hours per resident per week                                               | 0                                                    | 0                                                    | 8                                                 | 8                                                 |
| Average carer basic pay per hour                                                            | £10.01                                               | £10.01                                               | £10.20                                            | £10.20                                            |
| Average nurse basic pay per hour                                                            | £0.00                                                | £0.00                                                | £17.95                                            | £17.95                                            |
| Average occupancy as a percentage of active beds                                            | 97%                                                  | 97%                                                  | 95%                                               | 95%                                               |
| Freehold valuation per bed                                                                  | £68,571.43                                           | £68,571.43                                           | £20,961.54                                        | £20,961.54                                        |

## 5.0 Analysis of Annex A Responses

- 5.1 Current fees for residential and nursing homes are based on a detailed Quality Standards Framework (QSF), with the top grade setting a fee of £650 per week per resident (£673 for EMI ie. enhanced needs/dementia). All homes except one command this top grade (Grade 1) fee with the other home receiving Grade 2 fees (£618 and £640 for 'standard' and EMI respectively).
- 5.2 Despite this current differential in rates returns from all providers do not show any difference in cost between the two areas of provision.
- 5.3 Hartlepool introduced a number of years ago the recording of self-funders in HBC IT systems which enables HBC to have an accurate picture of the self-funders in Hartlepool older peoples care homes. These are paid by the Council at a different rate to the Council funded clients, with the Council recovering all of the income from the clients, allowing the council to have some understanding of the existing self-funder market. These rates vary from being the same as Council-funded clients with fees up to £966.89 per bed.
- 5.4 Annex A identifies differences in costs (excluding nursing staffing costs) between purely residential care homes and those with a combination of residential and nursing care.
- 5.5 Average Occupancy has now recovered to pre-pandemic levels and current occupancy sits at 94% across all care homes (this had dropped to 85% at the lowest point during the pandemic). There is little variation between occupancy in individual care homes with all care homes currently between 85% to 100% occupied.

5.6 Hartlepool, along with seven of the other 12 North East Councils, use the 'Affinity Landscape' tool which provides up to date, dynamic intelligence of all services to enable detailed market analysis, as well as prediction information on trends over the next three years. This includes details of all residents in any care home setting, whether in Hartlepool or out of area, by type of service (including those self-funding their care in the town), duration and cost.

## **6.0 Annual Fee Setting Process**

6.1 The DHSC are quite clear that "The outcome of the cost of care exercise is not intended to be a replacement for the fee-setting element of local authority commissioning processes or individual contract negotiation." "In practice, and as many local authorities move towards paying the fair cost of care, it is expected that actual fee rates paid may differ due to such factors as rurality, personalisation of care, quality of provision and wider market circumstances."

6.2 For example, in respect of 'wider market circumstances', current fees are still attracting new providers into the market as evidenced by a new (up to) 94 bed residential and nursing home recently opening which has supported the development of the care home market in Hartlepool.

6.3 Annual fee uplifts have historically been calculated by the Council using a financial model which incorporates the annual increase in the national living wage with area specific CPI rates to arrive at an overall annual percentage uplift. Where there are national changes impacting on care home costs, for example the increase in employers NI contributions, introduction of the Apprentice Levy etc, the model is adapted to include these additional costs that will be incurred by providers. There are no plans to change this model which is transparent, removes any subjective judgements and is shared with providers each year.

6.4 As with other years, 2023/24 fee uplift rates will be calculated based on 2022/23 base line fees (excluding any 'Premium' payment – see Section 7.0) continuing to use the model as outlined above.

## **7.0 Market Sustainability and Fair Cost of Care Grant 2022/23**

7.1 In 2022/23 the government provided grant funding to local authorities to "to support local authorities to prepare their markets for reform of the adult social care system, including the further commencement of Section 18(3) of the Care Act 2014 in October 2023, and to support local authorities to move towards paying providers a fair cost of care. Where average fee rates are below the fair cost of care, local authorities should use this additional funding to increase fee rates paid to providers (in respect of residential and nursing care for those aged 65 and over, and domiciliary care for those aged 18 and over, including those who operate in extra care settings) beyond the level required to cover increases in core costs such as inflation, workforce pressures, National Living Wage, and National Insurance."

7.2 £162m of funding was provided nationally with Hartlepool Council receiving £338,000. In line with the grant conditions 25% of this funding is to be retained by the Council to fund the implementation activities associated with preparing care markets for reform. The balance of funding (£254,000) will be paid to relevant care providers in accordance with the grant conditions.

- 7.3 Exact details of how this funding will be allocated are still being finalised. Given the uncertainty around future years grant funding and the financial risk of committing additional funding without any indication of how much grant funding the Council will receive next year and future years, it has been determined to pay this grant to in-scope care providers as a percentage 'premium additional' payment for this financial year only.
- 7.4 This payment will be paid as a percentage pro-rata to actual total bed fees paid by the Council for the 6 remaining 2022/23 payments covering the period between 10<sup>th</sup> October 2022 and 26<sup>th</sup> March 2023.
- 7.5 This additional 'premium' payment will be paid for the above period at an expected rate of 2% on top of the current fee per occupied bed. This payment will end on 26<sup>th</sup> March 2023 with fees reverting back to their 2022/23 base level plus the annually calculated uplift (see Section 6.0 above).

## **8.0 Overview**

- 8.1 The Council are undertaking this Cost of Care exercise as a 2 stage process of which Annex A and Annex B are just the first stage. Providers need to be further engaged so that the Council can fully understand the workings and rationale behind some of the data included in Annex A. The October deadline and some national / regional discussions which are currently on-going (for example around using set criteria to determine a Return on Capital) mean that this detailed analysis cannot be completed in a meaningful and robust way before the October deadline.
- 8.2 This two-stage approach is consistent with the process for market sustainability plans. Provisional market sustainability plans are to be submitted on 14<sup>th</sup> October 2022 and are an opportunity for local authorities to assess the impact current fee rates are having on their market and potential future risks, particularly in the context of adult social care reform. They will serve as a vehicle for setting high level strategic choices in how funding will be used to address these sustainability challenges. Final market sustainability plans are due to be submitted in February 2023. This two-stage process was intended to enable authorities to produce a costed plan outlining how funding in future years will be spent in line with key actions, after local government budgets have been finalised.
- 8.2 Consequently, Annex A has been completed based on the DHSC guidance issued and on the final returns as submitted by providers. No changes have been made by the Council to any of their figures other than to inflate one provider to 2022/23 costs. Further work needs to be undertaken with in-scope providers to understand their operational model and the basis for the rates submitted. On this basis the Council determined not to arbitrarily amend any figures at this stage without a clear rationale.
- 8.3 The period covered by this exercise (2021/22) is exceptional as the care sector were still being significantly affected by the impact of the COVID pandemic, in terms of reduced occupancy, costs and also the additional funding they received to fund some of these costs which by definition were 'one-off'.
- 8.4 The production of Annex A and the figures provided in Table 2 above will now provide a basis on which the Council will engage further with providers to fully understand the range of areas where there may have been inconsistencies in approach, double-counting / overstatement of costs (for example arising from COVID grant funding) and the treatment of Return of Operations and Return of Capital given

some national and regional discussions around possibly applying a uniform and consistent approach across all homes.

8.5 The cost data in Annex A / Table 2 above which requires further analysis and discussions between providers and the Council are outlined below:

- All Staff Costs – The Council and CCG provided additional grant funding in the final quarter of 2021/22 to care home providers to ‘advance’ either the National Living Wage or annual pay award so the costs in 2021/22 will be higher than they otherwise would; in addition, 2021/22 costs have then been inflated by the 2022/23 pay award which potentially ‘double-counts’ the costs; Some providers have confirmed they have excluded these costs from their figures but others have not.
- All Staff Costs – COVID grant funding for additional overtime, enhanced rates of pay, sickness etc was paid during 2021/22 and although some providers have confirmed they have excluded the figures, other providers have not.
- Premises and Supplies & Services costs – COVID grants were provided and some one-off spend was incurred by providers within these areas; although some providers have confirmed they have excluded the figures, other providers have confirmed they have not.
- Return on Operations – Significant national and regional discussions around what percentage figure is ‘reasonable’ and what should be included have been held but with no definitive outcome; Range submitted to us is between 0% and 20%; the upper and lower providers were contacted but have either confirmed their figures are correct or have not responded either way.
- Return on Capital – As with RoO there have been significant national and regional discussions around whether a ‘uniform’ figure should be used and how this should be calculated; further discussions with providers are required to ensure a uniform and consistent approach is taken to this figure.
- Currently, the Cost of Care process has generated figures for RoO of 11% (Residential) and 10% (Nursing) and for RoC of 20% (residential) and 3.5% (Nursing). These appear higher than regional comparators and higher than national guidance recommends.
- No differential in costs between ‘standard’ residential care and ‘enhanced needs’ i.e. dementia.

## 9.0 Next Steps

9.1 As detailed in paragraph 8.5 there are a number of areas to be reviewed before an agreed cost of care can be determined.

9.2 The submission of returns from providers and completion of Annex A provides a series of numbers and data which the Council will use to work further with providers in order to better understand and refine the information to arrive at an agreed and consistent Cost of Care.

9.3 Councils do not have funding to pay for any increases in fees arising from a cost of care exercise. Inflationary costs, energy prices rises and the national pay award have all increased pressure on existing Council funds. Hartlepool Council has a forecast budget deficit in 2023/24 of at least £8.6m, even after increasing Council Tax by the threshold limit of 2.9% and implementing the Adult Social Care Precept.

- 9.4 Any increases in fees will need to be funded from the specific government grant funding identified for local authorities to fund the Cost of Care (£600m nationally in 2023/24). The details will not be announced until at least December 2022 and the funding is to be used for Care Homes and 18+ Domiciliary Care.
- 9.5 There are no guarantees any funding will be sufficient to pay the full Cost of Care once a rate for this has been agreed. Indeed, the government guidance issued states “Our policy expectation is that local authorities make as much progress as possible towards the fair cost of care identified locally in your exercise within this Spending Review period; Our policy guidance talks about ‘moving towards’ because we recognise that this is a journey. Although we expect local authorities to move towards paying a fair cost of care, we know local authorities will be starting from different points, with some further away from the fair cost of care than others. This means some local authorities will reach the fair cost of care for their local area in this Spending Review period, whereas others are on a longer journey and will not. Our policy expectation is therefore that you make as much progress as possible.”
- 9.6 DHSC guidance also states “We know the median actual operating costs from which LAs arrive at a FCC in their area will not reflect the costs of each individual provider in their local area. The outcome of the CoC exercise is not therefore intended to be a replacement for fee setting ... or individual contract negotiation. In practice we will expect actual fees to be informed by the FCC ... Fee rates will also continue to be based on sound judgement, evidence, and through a negotiation process, as is the case currently.”
- 9.7 On this basis the Council is not in a position to commit any additional funding from April 2023 to providers to fund increased rates outside of the ‘normal’ annual fee uplifts.